



The Latest Scams Circulating the Consumer World.



January 2011

## WATCH OUT FOR VOUCHERS FROM AUTO DEALERSHIPS



### FRAUD OF THE MONTH

#### The Hook

A personal letter sent advertising a “Dealer Asset Disposal Event” stating that you are a guaranteed recipient. The auto dealer may then send a voucher for a significant amount of money. The voucher says “this is not a joke, prank, or gimmick”. But is this really the case?

#### The Scam

The voucher will state that it has to be redeemed at the specific auto dealer. It might also state that you would receive a prize for coming to the dealership, such as:

- A webcam with a retail value of \$30
- A home theater system with a retail value of \$500
- A \$5,000 scratch ticket with the odds of winning 1 in 177,000
- \$10,000 in cash with the odds of winning 1 in 284,104

When these vouchers are taken to the dealership, the auto dealers will use it to pitch a sale for a used or new vehicle (which is the only way in which these vouchers can be used). The cars they are selling are most likely overpriced by at least the voucher amount, so there really is no great deal from the voucher. As for the prizes, you are most likely to receive the scratcher tickets which don't cost as much and carry a very small probability of winning.

#### The Lesson

If you would like to buy a used car, it is highly recommended that you buy it from someone that you know who has taken good care of the car. Using online resources is a good way to research the type of vehicle that you would like and give you an idea on cost, but it is not recommended to purchase your vehicle online. Things that you should know before you buy a car are:

- ★ Run the vehicle's VIN number through a computerized ownership and damage history database. Most car dealerships will do this for you, but make sure that you specifically ask.
- ★ Check out the general maintenance reliability rating in Consumer Reports. This may determine whether or not the car was properly taken care of.
- ★ Find out the fair market value (retail or wholesale amount) adjusted for mileage, condition and other specifics in the Kelley Blue Book ([www.kbb.com](http://www.kbb.com) and available at most libraries & banks) or at [www.edmunds.com](http://www.edmunds.com).
- ★ Test drive the car and have the tires and compression checked at a reputable, independent repair shop.
- ★ It is very beneficial to pay for your new car with cash. This way you can avoid issues with financing terms when your car depreciates faster than your car loan is amortized.

If you buy a new car, make sure to check the ratings in Consumer Reports and compare the dealer's invoice price so you can ascertain what a fair mark-up is. A one to two percent mark-up over the dealer's invoice is fair. Never pay the manufacturer's suggested retail price! Cross check prices for the same vehicle online, but buy from a dealer that you know and trust who will be there if your vehicle needs service. It is also recommended to go to a local credit union or bank for financing rather than using a car dealership.

